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STATE OF MONTANA
EASTMONT HUMAN SERVICES CENTER
REPORT ON AUDIT
Conducted Under Contract By
Galusha, Higgins and Galusha
Certified Public Accountants
Fiscal Year Ended June 30, 1980

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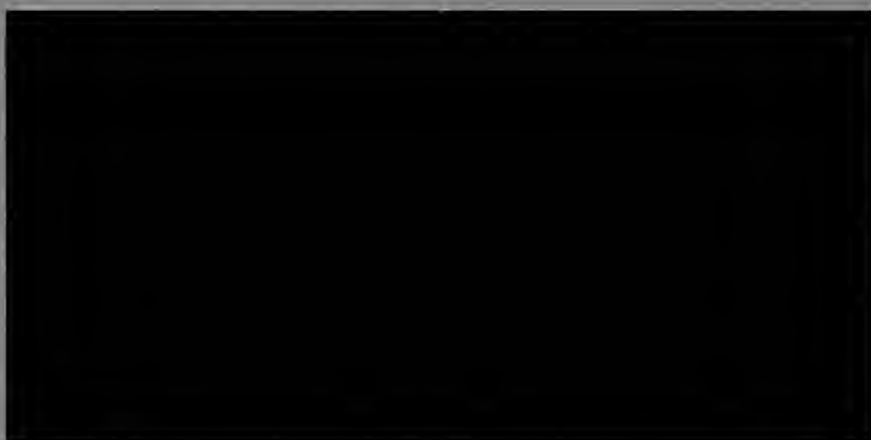


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MORRIS L. BRUSETT, C.P.A.
LEGISLATIVE AUDITOR

October 1980

ELLEN FEAVER, C.P.A.
DEPUTY LEGISLATIVE AUDITOR
JOHN W. NORTHEY
STAFF LEGAL COUNSEL

The Legislative Audit Committee
of the Montana State Legislature:

Transmitted herewith is the report on the audit of the Eastmont
Human Services Center for the year ended June 30, 1980.

The audit was conducted by Galusha, Higgins, and Galusha, C.P.A.'s,
under a contract between the firm and our office. The comments and
recommendations contained in this report represent the views of the
firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is
included in the back of the audit report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Morris L. Brusett".

Morris L. Brusett, C.P.A.
Legislative Auditor

EASTMONT HUMAN SERVICES CENTER
JUNE 30, 1980

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SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply thereto and also as a ready reference to the supporting comments. The full replies of the Department of Institutions and Administration are included in the back of this report.

A second employee should be inserted into the procedure for accounting for the resident funds.

Agency Reply: Do not concur. See page 1 of Agency Replies.

A ruling should be obtained from the State Personnel Division as to whether or not drivers or substitute teachers should be allowed sick and vacation credits.

Agency Reply: Concur. See page 1 of Agency Replies.

A policy of updating the form W-4 on a bi-annual basis should be adopted.

Agency Reply: Concur. See page 1 of Agency Replies.

The responsibility for the physical safeguarding and record maintenance for fixed assets be assigned to the supervisors in charge of each specific area at the Center.

Agency Reply: Do not concur. See page 1 of Agency Replies.

An annual inventory of fixed assets should be conducted in order to update the responsibilities and identify any missing costs.

Agency Reply: Do not concur. See page 1 of Agency Replies.

SUMMARY OF RECOMMENDATIONS

The food inventory should be reduced sufficiently to allow for storage in the food warehouse, or the food warehouse should be expanded to allow for the necessary inventory.

Agency Reply: Concur. See page 2 of Agency Replies.

The institution should adopt the resident clothing usage and perpetual clothing inventory procedures it was considering at the time of our audit.

Agency Reply: Concur. See page 2 of Agency Replies

The perpetual supplied inventory card should be updated whenever specific inventory items hit a low inventory level.

Agency Reply: Partially concur. See page 2 of Agency Replies.

Purchase requests should be clearly cancelled once it has completely run through the system.

Agency Reply: Do not concur. See page 2 of Agency Replies.

The number sequence of purchase requests should be controlled.

Agency Reply: Do not concur. See page 2 of Agency Replies.

The accounting distribution for each vendor invoice should be retained with the invoice for future reference.

Agency Reply: Concur. See page 3 of Agency Replies.

Care should be taken to review purchase requests for completeness before filing into the records of the Center.

Agency Reply: Concur. See page 3 of Agency Replies.

GALUSHA HIGGINS & GALUSHA

CERTIFIED PUBLIC ACCOUNTANTS
POST OFFICE BOX 2532
BILLINGS, MONTANA 59103

BILLINGS, MONTANA
August 15, 1980

Legislative Audit Committee
of the Montana State Legislature
Helena, Montana 59601

We have examined the balance sheet of the General, Federal and State Grants, and Donations Funds of Eastmont Human Services Center as of June 30, 1980, and the related combined statement of revenues, expenditures, changes in fund balances, and statement of general fixed assets for the year ended June 30, 1980. Our examination was made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances except as stated in the following paragraph.

As discussed in Note 5 of the Notes to the Financial Statements, the scope of our audit did not include tests of the costs assigned to individual fixed assets. For this reason we are unable to express an opinion on the fairness of the Statement of General Fixed Assets on Page 14.

In addition, as more fully discussed in Note 4 of the Notes to the Financial Statements, the accompanying financial statements do not give proper accounting recognition to approximately \$467,309 in unrecorded revenues and an undetermined amount of costs associated therewith in the General Fund.

In our opinion, because of the material effect of the departure from generally accepted accounting principles discussed in the preceding paragraph, the balance sheet, statement of revenues, expenditures and changes in fund balance - budget and actual for the General Fund do not present fairly the financial position of Eastmont Human Services Center at June 30, 1980, and the results of its operations and changes in fund balance for the year then ended.

In our opinion, the balance sheet, statement of revenues, expenditures and changes in fund balance - budget and actual for the Federal and State Grants Fund and the Donations Fund present fairly the financial position of Eastmont Human Services Center as of June 30, 1980 and the results of its operations and changes in fund balances for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Galusha, Higgins and Galusha.
GALUSHA, HIGGINS AND GALUSHA
Certified Public Accountants

GENERAL

Eastmont Human Services Center was established as Eastmont Training Center at Glendive in 1967 by extraordinary session House Bill Number 13 of the 40th Legislative Session. The purpose of the Center is to provide residential and day training to severely and profoundly retarded people through a 5-day program and a 7-day program.

The 5-day program includes people who range in age from four to seventeen years. Course instruction includes academics, home living, perceptual training, social awareness, recreation and physical education, speech therapy and pre-vocational training. The Center's goal is to allow these people to remain in their homes and communities as functioning and productive members of society.

The 7-day program includes people of all ages. The majority of these residents were transferred to the Center from the state institution in Boulder and require around the clock supervision. These people receive the same kinds of training as the 5-day residents.

The Center is under the general control and supervision of the Montana State Department of Institutions. Principal management responsibility for the Center's operations is assigned to the superintendent, Gerald F. Butcher. The physical plant consists of two cottages for residents' living quarters, one cottage for classrooms and administrative offices, a multi-purpose building and a storage building.

The sources of revenue to operate the Center come from the State's General Fund, Federal and State grants, and contributions from private citizens and organizations.

RESIDENT TRUST ACCOUNTS

Situation: The Center maintains cash accounts of the residents' money to be used to purchase personal items for the residents. These trust accounts are in the forms of petty cash, a checking account, and individual savings accounts. Because the money in these accounts does not belong to the Center, a meticulous accounting of the funds is maintained by the Center. The responsibility for maintaining the records on the resident accounts has been assigned to a single employee at the Center. This employee receives the money when it is sent to the Center, deposits the money in the residents' savings accounts, prepares the reconciliations of the residents' accounts monthly, maintains the petty cash fund, and checking accounts, and prepares the savings withdrawal and account transfer forms. Expenditures are initiated at the request of the habilitation supervisor. The request must be authorized by one of four other people who sign the checks and savings withdrawal forms.

RESIDENT TRUST ACCOUNTS, Continued

Recommendation: In order to provide for the mutual protection of the Center and the employee, we recommend that a second employee be inserted into the procedure for accounting for the resident funds. This can be accomplished by having a second employee maintain control of the actual monies received for the residents, and supplying to the accounting clerk in charge of resident accounts a list of receipts which can be used for all of the necessary record keeping functions. In this way, no single employee has access to both the funds and the records maintained to control those funds. We would like to emphasize that we found no evidence of any wrong doing in this area but feel the present system does not provide adequate control over these resources.

PAYROLL PROCEDURES

Situation:

1. Payroll guidelines applicable to State employees require that vacation and sick leave be credited to all temporary, intermittent, seasonal, and permanent employees. Both vacation and sick leave credits accrue from the first day of employment but in order to use their credits the employees must be continuously employed for six months in the case of vacation credits and 90 days in the case of sick leave credits. Because of the nature of their employment, the Center has not accrued vacation or sick leave for either bus drivers who work one day per week, or substitute teachers who work on an as needed basis.
2. In our review of the personnel files for employees of the Center, we were pleased to see that employee withholding information was complete and accurate, but we noted that many of the W-4 forms, Employees Withholding Allowance Certificate, had not been updated since the employee was first hired. In one case this is extended back to 1969.

Recommendation:

1. We recommend that the Center obtain from the State Personnel Division a ruling as to whether or not drivers or substitute teachers should be allowed sick and vacation credits. If these employees are to be covered, the employees credits should be computed and credited to them as soon as possible.
2. We suggest that the Center adopt a policy of updating the W-4 forms on at least a bi-annual basis. Up to date withholding information can serve to alleviate many payroll problems before they arise.

CONTROL OVER GENERAL FIXED ASSETS

Situation: The Center recently completed a complete inventory of the fixed assets under its control. Each asset was assigned a number, tagged with that number, and information relating to the asset was posted in a control log by number and on individual cards which will be arranged by location. These records are all maintained by a clerk in the administrative office who relies on supervisors to inform her of any change in the status of any fixed asset. The responsibility for maintaining the fixed asset control system is assigned to the administrative clerk.

Recommendation: We suggest that the responsibility for the physical safeguarding and record maintenance be assigned to the supervisors in charge of each specific area at the Center. These supervisors would be expected to occasionally review the list of assets assigned to them and run spot checks to determine that the individual items are correctly recorded and adequately safeguarded. To supplement these controls, we suggest that an annual inventory of fixed assets be conducted in order to update the responsibilities and identify any missing assets. The person assigned responsibility for an asset which turns up missing, should be held accountable for that asset. The clerk who currently maintains the records on these assets would still act as a clearing house for the records with the supervisors responsible only to inform her of any change in status of the assets. As a result of these procedures, we feel that the assets will be adequately safeguarded and information concerning individual assets will be more readily provided.

INVENTORY

Situation: Inventories are controlled based on their nature. The three categories of inventory are; food, clothing, and supplies. The food inventory is the responsibility of the food service supervisor, supplies are the responsibility of the accounting clerk and the secretary at the administrative office, and clothing is the responsibility of the individual cottage supervisors.

Control over the food inventory is a very difficult proposition. Meals are served and food is stored in a facility which is designed to serve approximately one-third of the people now served and space is a real problem. During the period of our audit field work, we found food stored in five separate areas, two of which should not be used as food storage areas. Food was stored in the food storage warehouse, a freezer-cooler room, kitchen shelves and cupboards, a storage room and the food service managers office. The two areas of most concern are the storage room and the manager's office. The storage room contains

INVENTORY CONTROLS, Continued

various soaps and cleaning supplies and is shared with the maintenance staff. Any overflow of nonfood items is stored in the managers office. The result of these overcrowded conditions is an inability to adequately control the soaps and cleaning supplies and other nonfood items. Further, the resultant clutter in the food service managers office probably results in decreased work efficiency by the manager himself.

At the time of our audit, there were no formal controls over the clothing inventory. Clothing is stored in a locked room accessible to all supervisors, but considered the responsibility of the habilitation supervisor. Clothes are removed as needed and no further record is kept. The institution is considering a record by patient of clothing used. In addition, the Center is considering a running tally of clothing available for use.

An inventory control system over supplies exists which, if utilized as it has been designed, would provide for adequate control over supplies inventories. All supplies are placed in a holding room adjoining the accounting clerks office when they are received. The contents of each case are typed on a supply requisition form which is attached to the case and a control card made out. When a case is completely used up, the supply requisition slip is given to the secretary who maintains the card file, and the items are removed from the perpetual inventory. An annual physical inventory is taken to update the perpetual inventory. At the time of the last physical inventory, the differences between the perpetual inventory and the physical inventory were fairly significant. From our discussions, it appears that the biggest breakdown in the system occurred in the administrative paper flow, in that the accounting clerk did not always get the information on supplies received to the secretary, who maintains the control cards.

In addition to the formal controls on food, clothing, and supplies, there are several important informal controls in operation. First, the administration of Eastmont utilizes a hands-on management and is very aware of the activities of the supervisors and the staff. Second, the clothing purchased for the residents at Eastmont are easily identified as institutional, in that it is almost all bulk ordered, non-name brands, small sizes, and normally solid colors. Last, Glendive is a small community and there is considerable social interaction among the Center's employees.

INVENTORY CONTROLS, Continued

Recommendation: It is important to condense the food inventory into the three normal storage areas. The food inventory for the period April through July of 1980 ranged from approximately 2.5 months usage to a high of 3.5 months usage. The normal shipment time is approximately 1 month, although in one instance last winter, it was over 2 months. We recommend that the food service manager review his inventory requirements in an effort to reduce the size of his inventory. We feel that the inventory can be reduced sufficiently to allow for storage in the food warehouse of those items which normally overflow into the managers office and the storage room shared with the maintenance people. If this cannot be accomplished through inventory reductions, we suggest that the Center attempt to obtain funds to provide for an addition to the food warehouse. The current overcrowded conditions do not provide for the necessary controls over food inventory.

We found that the controls relating to food usage, meals served, and food service reports are very good, and provide for considerable reliable information, which is used to provide strong cost efficiency within the food service department.

With regard to the clothing inventory, we suggest that the institution adopt those procedures it is considering with regard to patient usage records and a perpetual inventory of clothing on hand. These steps will provide for better control over the clothing inventory, and should be supplemented by a physical inventory whenever a large bulk order is placed.

The inventory controls over supplies appear adequate once the paper flow has been straightened out. We do suggest, however, that the perpetual inventory control card, maintained by the secretary, be updated whenever a specific item hits its lowest inventory point. It is, at this point, that the inventory will be easiest to count, and by keeping the perpetual inventory cards current, better control can be attained and errors located and resolved much closer to the actual date the error occurred.

PURCHASING AND DISBURSEMENTS

Situation: Our tests indicated that purchase requests had not been visibly cancelled in order to prevent a possible second usage of a single purchase request. When more than one vendor is involved, there may be several copies of the same purchase request made for the Center's files.

PURCHASING AND DISBURSEMENTS, Continued

Recommendation: Once a purchase request has been run through the purchasing and payment system, it should be clearly marked as cancelled and any copies made should also be marked as cancelled and referenced within the files to the original purchase request. Whenever possible, a purchase request should cover only those purchases to be made at a single vendor.

Situation: Purchase orders and purchase requests are sequentially numbered, however, the number sequence provides no control under the present system because they originate from individual supervisors who maintain their own supply of these forms. As a result, as many as seven number sequences can be running simultaneously.

Recommendation: No change is considered necessary in the handling of purchase orders, but for purchase requests, we suggest that the number sequences supplied to each supervisor be recorded and as each purchase request flows through the transfer warrant claim sequence, that purchase request should be cancelled on the control list. When the supervisor requires more purchase requests, the previous sequence should be totally accounted for.

Situation: The accounting system at the Center does not provide for easy re-creation of the accounting distribution for any particular transaction. The accounting distribution relating to any given vendor invoice is normally accumulated on a scratch paper which is thrown away once the distribution has been entered into the records.

Recommendation: In order to facilitate a review of the accounting distribution for a particular vendor invoice, we suggest that the scratch paper used to originate the accounting distribution be stapled to the vendor invoice and maintained in the records at the Center.

Situation: From our tests of specific transactions, we noted that many purchase requests are not completely filled out by the supervisors submitting them to the administrative office. The absence of complete information on the purchase request makes comparison of items and dates purchased to those actually paid difficult.

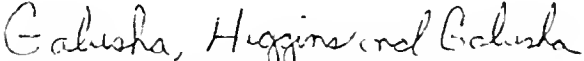
Recommendation: The importance of filling out the purchase requests completely should be emphasized to the supervisors and those forms received in the administrative office which are not complete should be completed before being inserted into the files of the Center.

FINAL COMMENTS

We have reviewed the comments and recommendations contained in this report with the superintendents of Eastmont Human Services Center and the Department of Institutions.

We would like to express our appreciation to the employees of Eastmont for the courtesy and hospitality given to us during the course of our audit. The Center can be proud of its employees and the high quality work that they do.

Sincerely,


GALUSHA, HIGGINS AND GALUSHA
Certified Public Accountants

FINANCIAL STATEMENTS

EASTMONT HUMAN SERVICES CENTER
BALANCE SHEET
ALL FUNDS
JUNE 30, 1980

<u>ASSETS</u>	<u>General Fund</u>	<u>Federal and State Grants Fund</u>	<u>Donations Fund</u>
Revolving fund cash (Note 2)	200		
Cash in treasury		4,999	8,825
Expense advances to employees	540		
Appropriation authority available to pay accrued expenditures and accounts payable	73,141		
Total Assets	<u>73,881</u>	<u>4,999</u>	<u>8,825</u>
<u>LIABILITIES, RESERVE AND FUND BALANCE</u>			
<u>Liabilities</u>			
Accounts payable			149
Accrued expenditures	73,681	4,554	
Total Liabilities	<u>73,681</u>	<u>4,554</u>	<u>149</u>
<u>Reserve</u>			
Reserve for revolving fund advance	200		
Fund Balance	<u>-0-</u>	<u>445</u>	<u>8,676</u>
Total Reserves and Fund Balance	<u>200</u>	<u>445</u>	<u>8,676</u>
Total Liabilities, Reserve and Fund Balance	<u>73,881</u>	<u>4,999</u>	<u>8,825</u>

The accompanying notes are an integral part of these financial statements.

EASTMONT HUMAN SERVICES CENTER
COMBINED STATEMENT OF REVENUES EXPENDITURES AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
ALL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1980

REVENUES	GENERAL FUND			FEDERAL AND STATE	
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual
Reimbursements	300	94	(206)		
Rentals, leases and royalties		10	10		
Grants, gifts, bequests, dona- tions					
Income collections and transfers	200	249	49		
Federal assistance				52,800	37,276
Total Revenues	<u>500</u>	<u>353</u>	<u>(147)</u>	<u>52,800</u>	<u>37,276</u>
<u>Expenditures</u>					
Donations	21,785		21,785	4,632	
Support services	405,355	462,638	(57,283)	5,500	4,892
Medical habilitation	556,063	560,419	(4,356)	22,934	11,832
Developmental services	270,230	226,455	43,775	17,588	20,141
Community services	<u>36,924</u>	<u>38,751</u>	<u>(1,827)</u>		
Total Expenditures	<u>1,290,357</u>	<u>1,288,263</u>	<u>2,094</u>	<u>50,654</u>	<u>36,865</u>
Excess of Current Revenues Over (Under) Current Expenditures	(1,289,857)	(1,287,910)	1,947	2,146	411
<u>OTHER FINANCING</u> <u>SOURCES (USES)</u>					
Prior year adjustments	2,713	2,713		(149)	(149)
Support from (to) the general fund	<u>1,287,144</u>	<u>1,285,197</u>	<u>(1,947)</u>		
Excess of Revenues Over (Under) Expenditures and Other Sources (Uses)	-0-	-0-	-0-	1,997	262
Fund balance July 1, 1979	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>183</u>	<u>183</u>
Fund balance June 30, 1980	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,180</u>	<u>445</u>

<u>GRANT FUND</u> <u>Variance-</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>DONATIONS FUND</u>			<u>TOTALS</u> <u>(MEMORANDUM ONLY)</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance-</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance-</u> <u>Favorable</u> <u>(Unfavorable)</u>
				300	94	(206)
					10	10
		954	954		954	954
				200	249	49
(15,524)				52,800	37,276	(15,524)
(15,524)	<u>-0-</u>	<u>954</u>	<u>954</u>	<u>53,300</u>	<u>38,583</u>	<u>(14,717)</u>
4,632		1,579	(1,579)	26,417	1,579	24,838
608				410,855	467,530	(56,675)
11,102				578,997	572,251	6,746
(2,553)				287,818	246,596	41,222
				36,924	38,751	(1,827)
<u>13,789</u>	<u>-0-</u>	<u>1,579</u>	<u>(1,579)</u>	<u>1,341,011</u>	<u>1,326,707</u>	<u>14,304</u>
(1,735)		(625)	(625)	(1,287,711)	(1,288,124)	(413)
				2,564	2,564	
				<u>1,287,144</u>	<u>1,285,197</u>	<u>(1,947)</u>
(1,735)		(625)	(625)	(1,997)	(363)	(2,360)
	<u>9,301</u>	<u>9,301</u>		<u>9,484</u>	<u>9,484</u>	
<u>(1,735)</u>	<u>(9,301)</u>	<u>(8,676)</u>	<u>(625)</u>	<u>(11,481)</u>	<u>(9,121)</u>	<u>(2,360)</u>

The accompanying notes are an integral part of these financial statements.

EASTMONT HUMAN SERVICES CENTER
STATEMENT OF GENERAL FIXED ASSETS
JUNE 30, 1980

Transportation equipment	32,121
Land, buildings, and improvements	1,782,519
Operating equipment	<u>127,889</u>
Total General Fixed Assets	<u><u>1,942,530</u></u>

EASTMONT HUMAN SERVICES CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1980

Note 1 - Summary of Significant Accounting Policies

- A. The financial statements of Eastmont Human Services Center have been prepared using the modified accrual basis of accounting. Under this method of accounting revenues are recorded when received and expenses are recorded as they are incurred.
- B. In order to insure observance of limitations and restrictions placed on the resources available to the Center, the accounts are maintained in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into accounting entities with a self-balancing set of accounts that are in accordance with activities or objectives specified in special regulations or legislation. Eastmont uses three such funds:
1. General Fund to account for expenditures of State appropriated funds.
 2. Federal and State Grants Fund to account for expenditures of Federal and State grants.
 3. Donations Fund to account for expenditures of private donations.
- C. All purchases of groceries and supplies are charged directly to expense accounts.
- D. General fixed assets purchased are recorded as expenditures in the general fund at time of purchase.

A Plant and Equipment Fund is not maintained for the capitalization of fixed assets.

Note 2 - Revolving Fund Cash

The Center maintains an imprest cash fund utilized to cover expenditures of small amounts which are essential to daily activities. The fund is reimbursed through the general fund with all expenditures being charged against the Center's appropriation at that time.

EASTMONT HUMAN SERVICES CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1980

Note 3 - Contingencies

- A. Reimbursement for Student Services-The Montana State Department of Institutions Reimbursement Bureau had previously billed parents for care services provided to children at the center. The billings were in accordance with Sections 80-1601 through 1607 of the Revised Codes of Montana, 1947 as amended. The center also receives a Federal ESEA Title I grant. Federal regulations relating to this grant apparently prohibit billing parents for these services. Billing of parents has been suspended and therefore, the funds received under the Federal ESEA Title I grant are not currently in question. The Montana Department of Institutions has requested a ruling on this matter from the federal government and will continue with the suspension of the billing of parents for student services until such a ruling is received.
- B. Reimbursement for Resident Care and Maintenance-Eastmont Human Services Center currently bills their residents for care and maintenance. This process is handled by transferring funds from the resident's individual accounts to a passbook savings account for resident funds held in trust which had a balance at June 30, 1980 of \$20,624.70. Records are kept by an individual who maintains complete detail as to the source of all funds. These funds are being held in trust for the residents since it has been contended that charges for care and maintenance are improper towards the State whether they are receiving federal support or not. A lawsuit is now pending dealing with this subject and the center will continue to carry all receipts from the residents for care and maintenance in a trust account for their benefit, until such time as the litigation is resolved.

Note 4 - Departure from Generally Accepted Accounting Principles

The financial statements of Eastmont Human Services Center at June 30, 1980 do not comply with generally accepted accounting principles. The Department of Institutions on behalf of Eastmont Human Services Center received reimbursements from several sources for services rendered to residents of the Center. Such revenues and the corresponding receivable are not recorded at Eastmont, instead, they are recorded as revenue at the Department of Institutions's

EASTMONT HUMAN SERVICES CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1980

Note 4 - Departure from Generally Accepted Accounting Principles, Continued

Reimbursement Bureau. The Department of Institution's costs associated with these revenues has not been determined. The unrecorded revenue for the year ended June 30, 1980 is shown in the Schedule of Revenue Resulting from Operations and Not Recorded on Books on page 20.

Note 5 - General Fixed Assets

Eastmont Human Services Center maintains physical control over their fixed assets by utilizing a card system. A card is maintained for each asset which details among other things; description, location, and cost. No dollar control is maintained over fixed assets for Eastmont on the State Budgeting and Accounting System, (SBAS). As a result, the scope of our audit did not include any tests of the costs assigned to the fixed assets, and no opinion can be expressed on the Statement of General Fixed Assets which uses costs assigned to the assets by Eastmont Human Services Center.

Note 6 - Vacation Pay and Sick Pay

The value of unused vacations and unused sick leave accumulated by employees is not recorded as a liability. Each permanent employee can accumulate and carryover twice the yearly accrual into a new calendar year. The excess of unused leave over accruals for two years may be taken within a 90 day period of time. Unused accumulated vacation is redeemed in cash upon termination of employment. The amount of accumulated leave at June 30, 1980 was not readily determinable.

Note 7 - Retirement Plan

The State of Montana has two contributory retirement plans covering all employees of Eastmont Human Services Center. Teachers are eligible for the Teachers Retirement System and other employees are eligible for the Public Employees Retirement System. The unfunded past service costs and the actuarially computed value of vested benefits are not readily available for members of the plans employed by Eastmont Human Services Center.

OTHER FINANCIAL INFORMATION

GALUSHA
HIGGINS &
GALUSHA

BILLINGS, MONTANA

CERTIFIED PUBLIC ACCOUNTANTS
POST OFFICE BOX 2532
BILLINGS, MONTANA 59103

August 15, 1980

Legislative Audit Committee
of Montana State Legislature
Helena, Montana 59601

Our Auditors' report on the financial statements for the year ended June 30, 1980 is presented at the beginning of this financial report. The other following financial information was derived from the accounting records tested by us as part of the auditing procedures followed in our examination of the financial statements as detailed in the Auditors' report.

In our opinion, this information is fairly presented in all material respects in relation to the financial statements taken as a whole; however, it is not necessary for a fair presentation of the financial position and results of operations of Eastmont Human Services Center.

Galusha, Higgins and Galusha

GALUSHA, HIGGINS AND GALUSHA
Certified Public Accountants

EASTMONT HUMAN SERVICES CENTER
SCHEDULE OF EXPENDITURES BY OBJECT
ALL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1980

<u>EXPENDITURE OBJECT</u>	<u>Donations</u>	<u>Support Services</u>
Personal services:		
Salaries		245,240
Employee benefits		50,161
Total Personal Services	<u>-0-</u>	<u>295,401</u>
Operating Expenses:		
Contracted services		19,682
Supplies and materials	1,496	68,344
Communications	25	8,774
Travel		719
Rent		164
Utilities		36,312
Repairs and maintenance		15,321
Other expenses		2,207
Total Operating Expenses	<u>1,521</u>	<u>151,523</u>
Equipment	<u>58</u>	<u>20,606</u>
Total Expenditures	<u>1,579</u>	<u>467,530</u>

<u>Medical Habilitation</u>	<u>Development Services</u>	<u>Community Services</u>	<u>Total</u>
444,192	190,997	32,252	912,681
95,490	38,662	5,848	190,161
<u>539,682</u>	<u>229,659</u>	<u>38,100</u>	<u>1,102,842</u>
12,648	5,638	100	38,068
17,804	8,350	91	96,085
	11		8,810
1,123	834	394	3,070
			164
			36,312
161	186		15,668
833	422	66	3,528
<u>32,569</u>	<u>15,441</u>	<u>651</u>	<u>201,705</u>
<u>-0-</u>	<u>1,496</u>	<u>-0-</u>	<u>22,160</u>
<u>572,271</u>	<u>246,596</u>	<u>38,751</u>	<u>1,326,707</u>

EASTMONT HUMAN SERVICES CENTER
SCHEDULE OF REVENUE RESULTING FROM
OPERATIONS AND NOT RECORDED ON BOOKS
FOR THE YEAR ENDED JUNE 30, 1980

Medicade reimbursements	458,014
Private reimbursements	4,934
School district reimbursements	<u>4,361</u>
Total Revenue Received Not Recorded on Center's Books	<u>467,309</u>

EASTMONT HUMAN SERVICES CENTER
SCHEDULE OF CHANGES IN RESIDENT ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 1980

Account balance, July 1, 1979

-0-

CASH RECEIVED

Transfers from Boulder

24,485

Social security

15,268

Veteran's Administration

379

SSI and other

12,990

 Total Cash Received

53,123

 Total Cash Available

53,123

Expenditures on resident's
 behalf

(27,342)

Account balance, June 30, 1980

25,781

Account Balance Consists of:

Petty cash

40

Checking account

1,209

Savings accounts

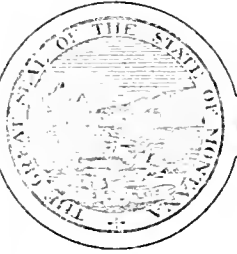
24,532

Account balance, June 30, 1980

25,781

AGENCY REPLIES

DEPARTMENT OF INSTITUTIONS



THOMAS L. JUDGE, GOVERNOR

1539 ELEVENTH AVENUE

STATE OF MONTANA

(406) 449-3930

HELENA, MONTANA 59601

October 15, 1980

Legislative Audit Committee
of the Montana State Legislature
Office of the Legislative Auditor
State Capitol
Helena, MT 59601

Gentlemen:

We have reviewed the audit report prepared by the firm of Galusha, Higgins and Galusha, Certified Public Accountants, of the Eastmont Human Services Center.

The report provides a very welcome service and is sincerely appreciated.

Our response to recommendations is attached.

Sincerely,


Lawrence M. Zanto
Director

LMZ:jw

Attachment

Eastmont Human Services Center
Audit Report Response

Resident Trust Accounts

Recommendation: We recommend that a second employee be inserted into the procedure for accounting for the resident funds.

Response: Eastmont does not concur with the recommendation as made, however, we will implement another review procedure to further insure correct accountability of the cash. Currently, the responsibility for the resident's money is not totally vested in one person. The secretary receives the cash, records the receipt on the "Cash Receipt Log" and sends these to the Accounting Technician. Disbursements require two signatures on a check, neither being the Accounting Technician. As a further control, a copy of each the "Cash Receipt Log", a summary of the disbursements and a copy of the bank reconciliation will be reviewed by the Business Manager.

Payroll Procedures

Recommendation: We recommend that the Center obtain from the State Personnel Division a ruling as to whether or not drivers or substitute teachers should be allowed sick and vacation credits.

Response: Eastmont will contact State Personnel Division for a ruling as to whether or not van drivers and substitute staff are entitled to earn annual leave and sick leave.

Recommendation: We suggest that the Center adopt a policy of updating the Form W-4 on at least a bi-annual basis.

Response: Withholding information is the responsibility of the employee. Eastmont will encourage and assist the employee to keep the W-4 current.

Control Over General Fixed Assets

Recommendation: We suggest that the responsibility for the physical safeguarding and record maintenance be assigned to the supervisors in charge of each specific area at the Center.

Response: We respect this suggestion but feel the control and procedures Eastmont has in place are sufficient. This is evidenced by the fact that there were no missing items turned up by the audit.

Recommendation: We suggest that an annual inventory of fixed assets be conducted in order to update the responsibilities and identify any missing assets.

Response: The annual inventory has been taken every year.

Inventory Controls

Recommendation: We recommend that the food service manager review his inventory requirements in an effort to reduce the size of his inventory.

Response: The Food Service Manager will review inventory and make every effort to keep stocks at a minimum. Additional storage space was requested in the 1982-83 Long Range Building Program.

Recommendation: We suggest that the institution adopt those procedures it is considering with regard to patient usage records and a perpetual inventory of clothing on hand.

Response: Eastmont will establish a perpetual inventory record system for the clothing.

Recommendation: We do suggest, however, that the perpetual inventory control card, maintained by the secretary, be updated whenever a specific item hits its lowest inventory point.

Response: We do not totally agree with this recommendation because the annual physical inventory would still be necessary and, therefore, it would essentially double the time to take inventory. The Center will, however, do spot checking of items throughout the year when a low point is reached to maintain the perpetual inventory records.

Purchasing and Disbursements

Recommendation: Once a purchase request has been run through the purchasing and payment system, it should be clearly marked as cancelled and any copies made should also be marked as cancelled and referenced within the files to the original purchase request.

Response: We do not agree with this recommendation. The purchase request is not an authorization for the vendor but is an internal document to control and record purchases. There are only two copies of the request. The original (white) is attached to the vendor receipt and later to the Transfer-Warrant Claim when paid. The duplicate (yellow) copy is returned to the supervisor when the order is picked up from the vendor.

Recommendation: We suggest that the number sequences supplied to each supervisor be recorded and as each purchase request flows through the transfer warrant claim sequence, that purchase request should be cancelled on the control list.

Response: We do not agree with this suggestion because the purchase request is not an authorization to purchase but only a shopping list.

Recommendation: We suggest that the scratch paper used to originate the accounting distribution be stapled to the vendor invoice and maintained in the records at the Center.

Response: We agree with this recommendation and have implemented it.

Recommendation: The importance of filling out the purchase requests completely should be emphasized to the supervisors and those forms received in the administrative office which are not complete should be completed before being inserted into the files of the Center.

Response: We agree with this recommendation and it will be implemented.

